INDUSTRIAL GOODS

Closing Industrial Assets Is Inevitable. Losing Value Isn't.

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Industrial companies are entering a decade of exits. Across the chemicals, steel, and mining industries, companies will face closure decisions affecting up to one in three of their industrial assets. Aging infrastructure, rising maintenance costs, decarbonization requirements, and market volatility have turned closures into recurring, high-stakes portfolio decisions. Because many companies are unprepared, these transitions continue to erode value—financially, operationally, and reputationally.

The winners will treat closures as a portfolio strategy rather than an operational necessity. Handled strategically, asset transitions can become catalysts for value creation. They can release capital trapped in underperforming sites, strengthen environmental credibility, and set the stage for future-ready operations. They can also reduce long-term liabilities and demonstrate leadership. The opportunity lies in reframing closure as a strategic transformation rather than an administrative necessity.

Mitigating Risk and Protecting Value

In today's volatile operating environment, investors judge industrial companies' major capital decisions through the lens of portfolio resilience. Asset closures that were once considered routine operational events now attract far greater scrutiny and carry reputational risk. Over the long term, they can materially influence value creation.

A well-executed closure protects value across three dimensions. Financially, it avoids unnecessary capital expenditures and operating expenses, unlocks land and working capital, optimizes tax liabilities and cash flow, and minimizes environmental liabilities. Operationally, it reduces risk exposure, enhances safety performance, supports optimized and on-time delivery of decommissioning and remediation activities, and frees leadership capacity to focus on productive assets. Reputationally, it demonstrates responsibility to employees and communities, reinforces the license to operate, and shows measurable progress on sustainability commitments.

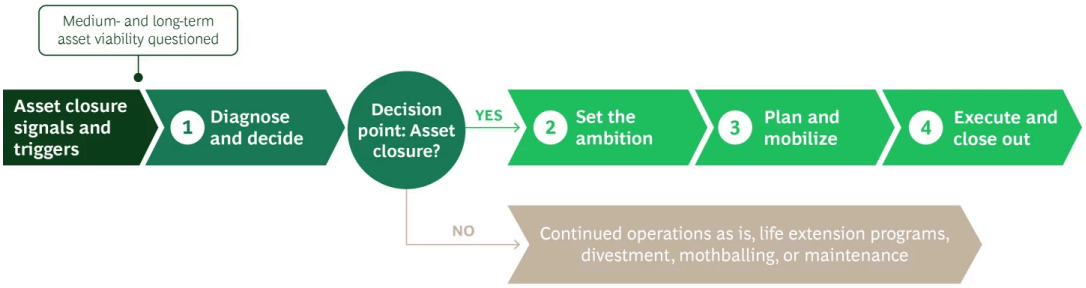
Closure excellence is now a hallmark of mature industrial governance. Investors recognize the difference between companies that manage exits and transitions responsibly and those that defer hard decisions. The latter often face mounting costs and risks; the former demonstrate stewardship and discipline.

The strategic logic of closure also includes optionality. When a company defines a site's future use early, it can tailor decommissioning and remediation accordingly—often reducing cost and scope while preserving flexibility. This includes repurposing the site for new uses—such as logistics hubs, renewable-energy installations, data centers, or advanced manufacturing facilities—creating downstream opportunities for value creation. In some cases, it is possible to unlock access to previously constrained resources, such as mineral deposits located beneath a plant. By resolving legacy risk and providing clarity on future land use, companies gain the freedom to reallocate capital and leadership attention toward growth.

The Four Phases of Value Creation

A closure journey unfolds in four distinct but linked phases. Each phase offers opportunities to create—or destroy—value depending on how early and decisively leaders act. (See the exhibit.)

A Four-Phase Process for Industrial Asset Closures



Source: BCG project experience.

Phase 1: Diagnose and Decide

This is when the foundation is set. The goal is to determine whether, when, and how to close an asset. Many organizations fail here because they approach closure as a binary decision rather than a structured evaluation of scenarios. A comprehensive diagnostic and evaluation entails several steps.

Build a comprehensive fact base. High performers evaluate the asset's health and economics, including cost position, maintenance backlog, safety and compliance risks, technology obsolescence, and capex intensity. They analyze market and regulatory context, including carbon price trajectories, energy trends, and future product demand. Crucially, they define the asset's role in the broader portfolio—its dependencies, synergies, and alternatives. A closure decision made without this systemic view may inadvertently degrade service levels, strand upstream capacity, or weaken bargaining power with suppliers and customers.

Quantify value and compare scenarios. Companies apply the fact base to develop a quantified view of the value at stake across multiple options: continuing operation, deferred closure, conversion, or full decommissioning. Scenario analysis exposes the tradeoffs among cash flow, carbon exposure, and long-term liability. This clarity transforms closure from an emotional debate into a data-driven investment choice and provides objective triggers for timing—such as maintenance milestones, carbon thresholds, or market shifts—that prompt action before value leaks.

Understand stakeholder expectations. Early engagement with employees, communities, and regulators builds credibility and reduces surprises later. Leaders who invest in understanding the practical stakeholder requirements—such as permits, engagement with local and/or indigenous groups, and other consultations—design programs that move faster and face fewer challenges.

Phase 2: Set the Ambition

Once the decision to close is taken, the next question is, What future do we want for the site, the people, and the balance sheet? This phase defines the closure's legacy and anchors the program.

Specify plans for the land and communities. The ambition should extend beyond safe shutdown. It should articulate how the company will repurpose or restore the land, manage financial exposure, and support employees and communities. Industrial leaders increasingly view closed sites as platforms for renewal—through redevelopment, new industrial uses, or environmental restoration. Land once dedicated to heavy operations can become logistics hubs, renewable-energy sites, or biodiversity zones. Each option signals a different kind of leadership and attracts different partners, from developers to energy players to public-sector agencies. Leading companies engage early with potential future owners, developers, or investors to test the viability of different options, shape the ambition accordingly, and build confidence that the site can attract long-term capital.

Design a disciplined financial architecture. Financially, ambition setting requires disciplined planning for one-time charges, provisions, and cash phasing while protecting credit metrics and tax efficiency. Proactive companies structure the closure to align cash outflows with milestones, right-size provisions, and anticipate long-term monitoring obligations. The financial design should be explicit about balance sheet impact, insurance and bonding, and the approach to warranties.

Establish governance that drives accountability. Governance turns ambition into action. A senior executive—often the COO or a business unit head—must be accountable for value, risk, and reputation. A program management office coordinates workstreams across health, safety, and environment (HS&E), operations, finance, legal, HR, procurement, and communications. Decision rights and escalation paths must be unambiguous, with a weekly cadence for critical-path items and independent assurance for safety and environmental performance. The ambition is translated into a one-page North Star statement that aligns internal and external messaging.

Shape the narrative. Leaders who communicate the rationale, overarching ambition, and guiding principles clearly—internally and externally—shape how closure is perceived. A transparent articulation of the envisioned end state, backed by early visible actions, can reinforce the company's reputation for integrity and foresight. When employees, communities, and regulators understand the reasoning and intended outcomes, they are more likely to engage constructively

as the company's specific plans take shape in the next phase. While the overarching narrative should remain consistent, effective leaders recognize that different stakeholders have distinct concerns and require tailored approaches to engagement, with detailed plans developed during mobilization.

Phase 3: Plan and Mobilize

The third phase translates ambition into a bankable execution plan. At this stage, attention to detail defines success. A closure plan must withstand scrutiny from auditors, regulators, and communities—and be practical for the teams that will execute it.

Plan based on the desired end state. Effective plans are designed backward from defined end states—such as "regulator-approved remediation by 2030" or "land transfer by 2029." This approach clarifies the critical path, dependencies, and long-lead permits. It reveals opportunities to reduce risk and accelerate progress through early site investigations, pilot works, and parallel workstreams. Planning based on the end state also helps the team prioritize scarce resources and address the most significant bottlenecks.

Drive precision in technical planning. Decommissioning plans must detail isolation, purge, dismantling, waste management, and materials recovery. Environmental plans should specify investigation programs, remediation technologies, monitoring frameworks, and verification protocols, with seasonal constraints and environmental windows explicitly considered. Utilities and infrastructure require staged shutdowns that protect safety while maintaining continuity of critical systems such as fire protection, drainage, and security. Leading teams emphasize early asset characterization—such as hazardous-materials identification or subsurface assessments—to facilitate the dismantling and demolition phase. They also involve specialist decommissioning contractors during the study phase to align on scope, risks, and execution strategy, recognizing that these activities require distinct expertise.

Align commercial strategy and contracting architecture with risk. Leading companies tailor contract models to risk profiles: lump-sum for well-defined demolition scopes, unit-rate for uncertain remediation work, and hybrid models that reward performance. Incentives tied to safety, schedule, environmental outcomes, and circularity align owner and contractor priorities. Prequalification based on environmental and safety records filters out unqualified partners early, while clear reporting standards enable apples-to-apples performance comparisons during execution.

Institute rigorous cost and cash discipline. Programs should use probabilistic cost estimation to account for risk, manage contingencies explicitly, and track performance through an integrated value cockpit. An effective dashboard brings together P&L, cash flow, balance sheet provisions, schedule progress, HS&E metrics, and stakeholder milestones to create a single source of truth for executives and boards. This transparency is the antidote to cost creep and the basis for confident decision making.

Mobilize people with clarity, communication, and dignity. Mobilization is as much about people as it is about process. Employees facing closure must see visible leadership and consistent communication. In remote communities, carefully sequenced communication and visible support structures are particularly critical, as often these communities and their economies are largely dependent on the asset. Supervisors need coaching on change management, and teams need clarity on redeployment, reskilling, and severance. The company's commitments should be documented and accessible, with two-way channels for questions. Organizations that treat dignity and safety as nonnegotiable principles build long-term trust and credibility even amid difficult change.

Phase 4: Execute and Close Out

Execution is where culture, discipline, and planning converge. This phase demands operational excellence under pressure.

Lead visibly and reinforce core priorities. Senior managers must be present on site, reinforcing that safety and environmental integrity are priorities equal to schedule and cost. Consistent routines—daily toolbox talks, weekly performance reviews, and structured progress updates—maintain alignment. Metrics for safety, environmental compliance, circularity performance, and earned value should be tracked together, not in silos. Data must be timely, accurate, and actionable.

Control changes rigorously. Every deviation in scope or schedule should have quantified impacts and documented approval. This rigor protects cost baselines and demonstrates professional governance to stakeholders and auditors. It also reduces downstream claims and rework. When surprises emerge—as they often do in complex industrial environments—the best teams respond with measured adjustments, clear communication, and renewed focus on the critical path.

Finish with precision and institutionalize lessons learned. Regulatory compliance must be verified, remediation signed off, and documentation complete. Residual obligations—such as long-term monitoring—should be fully funded and clearly owned. Lessons learned are captured, and knowledge is transferred to future programs. Celebrating safe completion is not ceremonial; it reinforces an organizational culture that values responsibility and delivery.

The Readiness Checklist for Leaders

When a closure is on the horizon—or already underway—leaders cannot afford to wait for perfect information. They must start preparing now to act decisively on the levers that matter most.

1. Before Deciding: Establish Clarity and Control

When considering closure, leaders must ground the discussion in facts and prepare experts and stakeholders.

Quantify the value at stake. Build an integrated view of capital expenditure avoidance, operating expenses reduction, and potential liabilities to shape an informed decision. Value should be phased by month to reflect cash timing and optionality.

Define triggers and scenarios. Establish economic and operational thresholds—such as large-scale maintenance requirements, cost escalations, and contract expiries—that trigger action. Scenario planning should include conversion or partial-closure options, not just an on or off decision.

Form a closure readiness team. Engage cross-functional experts—from operations, finance, HS&E, ESG, legal, tax, and HR—before making the formal decision. Give them access to data and the decision rights needed to move fast.

Engage external stakeholders early. Transparently communicate intentions to regulators, local leaders, and community representatives. Seek to build trust and gain practical insights regarding the flexibility of existing permits and approvals. This includes exploring opportunities to adapt agreed-upon conditions to enable alternative land uses or expanded operations.

Position closure as a strategy, not surrender. Ensure that the board and investors see closure as portfolio optimization, not retreat. A crisp narrative backed by a value case creates room to act.

2. Ambition Setting: Shape the Legacy

Once the decision is taken, leaders must define what the closure will stand for and take the first steps to make it happen.

Define the desired end state. Decide whether the site will be remediated, sold, repurposed, or redeveloped, and articulate clear success metrics. The choice should reflect site characteristics, market demand for land uses, infrastructure access, and regional development priorities.

Integrate closure into the corporate agenda. Link closure objectives to goals for portfolio optimization, capital allocation, sustainability, and long-term workforce strategy. Make explicit

how exiting the site creates room to focus investment and leadership attention on assets with greater potential for growth and profitability. Align internal incentives so leaders are rewarded for responsible transition as well as improved financial performance.

Establish governance. Appoint an accountable sponsor and an empowered program management office. Clarify decision rights, escalation thresholds, and the cadence for scope, cost, and schedule reviews.

Secure early wins. Identify visible actions—community engagement sessions, safety milestones, launch of site investigations—that build credibility with stakeholders and the workforce.

Craft the narrative. Communicate consistently and empathetically with all audiences. Explain the rationale, the timeline, and the commitments, and report progress openly.

3. Planning and Mobilization: Reduce Risk and Prepare

Leaders must translate the ambition into a detailed, feasible plan that anticipates risks and aligns the organization.

Plan backward from explicit end states. Define timelines, interdependencies, and long-lead items to ensure feasibility. Use critical-path analysis and scenario-based schedules to anticipate risks.

Invest in data and permitting. Site investigations and early regulatory alignment save months later and reduce contingency. Enter formal consultation processes with complete, credible documentation.

Select contracting models carefully. Align commercial terms with the scope definition and risk allocation. Where uncertainty is high, prefer unit-rate frameworks with performance incentives; where scope is firm, consider lump-sum models.

Build the performance cockpit. Integrate safety, cost, schedule, ESG, and stakeholder metrics into a single dashboard. Make it the reference for board updates and external communications.

Prepare the organization. Train leaders, align HR policies, and secure resources for transition. Put in place employee support, redeployment pathways, and supplier exit strategies to minimize disruption.

4. Execution: Lead with Discipline and Transparency

As execution begins, leaders must create the conditions for safe, predictable delivery through visible stewardship and rigorous governance.

Show up visibly. Leadership presence reinforces accountability and safety culture. Senior leaders should participate in regular site walks and reviews.

Manage deviations quickly. Address risks and changes in real time with data-backed decisions. Document impacts and communicate them so that teams stay aligned.

Reward the right behavior. Recognize teams for safety, environmental stewardship, and cost discipline. Reinforce expectations in contractor management and daily routines.

Maintain stakeholder communication. Keep regulators, communities, and employees informed on progress and milestones. Consistency and candor build trust when unexpected issues arise.

Capture lessons continuously. Treat each closure as a benchmark for the next. Update standards and playbooks so future programs start from a stronger baseline.

5. Close-out: Lock in the Gains

Leaders must ensure that the completed program meets obligations, captures lessons, and realizes value.

Validate completion criteria. Ensure that all obligations—regulatory, environmental, contractual—are fulfilled before handover. Secure formal approvals and maintain a clean record of compliance.

Document knowledge thoroughly. Capture technical learnings, process improvements, and stakeholder insights. Archive drawings, certifications, warranties, and monitoring plans in accessible repositories.

Monitor postclosure performance. Track environmental indicators and land use outcomes to confirm success. Ensure that funding and ownership for long-term obligations are explicit.

Reallocate freed-up resources. Redirect capital and talent to strategic growth priorities quickly. Closure should be visibly linked to portfolio renewal.

Celebrate responsibly. Acknowledge the team's achievement to strengthen culture and morale. Public recognition of a safe, responsible transition reinforces the company's reputation.

Asset closure is a recurring leadership challenge in the industrial sector. Executives who approach it with the same rigor that they bring to their growth agenda demonstrate that responsible transitions are not a constraint on shareholder value but a creator of it. When executed well,

closure becomes a proof point of governance, a reinforcement of reputational integrity, and a foundation for future growth. Companies that decide early, plan thoroughly, execute safely, and close responsibly will protect value and strengthen their license to operate in an increasingly challenging environment.

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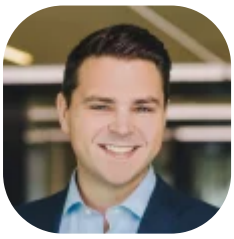

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